



THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

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MEMORANDUM FOR THE PRESIDENT

FROM: Secretary of Transportation Brock Adams  
THROUGH: Jack Watson  
SUBJECT: Transportation and the Energy Proposal

A large, stylized handwritten signature of Brock Adams is written over the "THROUGH" and "SUBJECT" lines of the memorandum.

At the Cabinet briefing today on the energy package, I formally raised with Jim Schlesinger the point which I have previously made to him personally and through the staff; i.e. the very regressive-type taxes on gasoline should have a positive side. This could be accomplished by pointing out to the American people that they would receive two things in addition to making a significant personal sacrifice;

1. A series of transportation improvements to help substitute for lesser use of the automobile should be developed. This would include a package for the Governors, County Commissioners, State Highway Commissions, Mayors, and others who will face revenue losses as consumption of gasoline goes down. This should be left flexible until we present the transportation policy, which will follow the energy proposal, during the summer and fall of this year. It would involve such items as allocating the money from an increased gasoline and/or well-head petroleum tax into maintenance programs now carried by local units of government, such as resurfacing, bridge repair, bringing existing highways up to standard, and other repairs. It could also include making a total transportation fund which could be used for such initiatives as establishing high-occupancy vehicle lanes for vanpooling, for mass transit systems, or bus operations, depending on the needs of the local communities.

2. Another possible benefit to the public could be a rebate of a portion of the increased tax directly to the poor or those in rural and scattered suburban areas who have no alternative transportation and must use an automobile until we determine some other way of getting them to and from work or until their lifestyles change. I have previously suggested this could be done with a white market stamp operation, whereby each owner of a registered vehicle could buy up to 10 gallons per week without the higher tax. The tax would come in at increments as one bought more gasoline each week. Such coupons could be transferred, bought or sold, or saved for family trips, since we are only interested in controlling total consumption and not policing individuals, except when individuals are using excessive amounts of gasoline per week. This would tax the gas-guzzlers, people with yachts, those who overuse their automobiles, and yet would provide a minimum protection to those who must use a car to go to work. It would also encourage people to pool their stamps and use a carpool or vanpool.

If this is too complicated, then a tax that applied in steps, from a 5-gallon purchase going up to a higher tax for a 10-gallon purchase, etc., would have a lesser total effect on consumption but would start to meet the same problem since the small car can fill up more easily than a large gas-guzzling type vehicle. I do not think a rebate through the tax system will be visible to the average American, because 75 percent of the American people pay their income tax through withholding and with standard deductions, and a rebate at the end of the year means nothing to them, unless it is very significant. This is particularly true when they are paying a very high gasoline tax every week, a condition which has particular impact on the poor.

I do not mean to advocate that all monies raised (a 50¢ gasoline tax would raise nearly \$50 billion) should be placed in transportation. It does make sense, however, to have energy taxes on transportation, either at the wellhead or at the gas pump, used first to meet transportation funding, and then used for other purposes. By doing this, you would also free up the general revenues we now use in transportation to be used for general fund purposes. You, therefore, have the same overall effect, but the political difference is that a person paying the gas tax or a higher price due to a wellhead tax sees a direct benefit from the payment. The public would be prepared for this, since they have been paying Federal and State gas taxes in this manner for over twenty years.

I support your program on energy conservation, and I have tried to indicate in my previous memoranda that I hope your message and the comments that are made about it will give us enough flexibility in the coming two years to consider and use these options, as well as others that may be suggested by other Members of the Cabinet.